

TAX INCREMENT FINANCING PROGRAM

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

To stimulate redevelopment of a project or a designated redevelopment area that otherwise would not occur.

AUTHORIZATION

Sections 99.800 to 99.865, RSMo and SB 1 (1997 special session).

HOW THE PROGRAM WORKS

Tax Increment Financing (TIF) redirects an approved portion of certain local taxes caused by the project to reduce project costs. The TIF Commission negotiates the amount and length of the increment based on the least amount that would cause the project to occur.

The TIF project funds may be derived from a bond issue (paid from the increment), or a reimbursement to the developer for approved costs.

ELIGIBLE AREAS

Statewide (in locally designated areas) for local TIF projects. A project approved for State TIF funds must be in a state enterprise zone, federal empowerment zone, urban core area, or central business district. The redevelopment area must be “blighted”, and (over the past 20 years) have a reduced level of population or real property value (adjusted for inflation).

ELIGIBLE APPLICANTS

Commercial or industrial redevelopment projects that create net new local taxes. The project must demonstrate that a subsidy is required to make the project feasible.

ELIGIBLE USE OF FUNDS

Redevelopment Project costs include the costs of studies, surveys, plans and specifications, land

acquisition, land preparation, professional service costs and fees, and construction costs of both public and private improvements. Most TIF project involve the development of public infrastructure to support a project, however, redevelopment of buildings is also typical.

APPLICATION PROCEDURE

The municipality may either request proposals from developers on a specific project area, or they may respond to a request from a developer to use TIF for their project. The developer or municipality must prepare a “redevelopment plan” which must conform to statutory requirements. The TIF Commission would determine whether TIF is needed by the developer to make the project feasible and if so, how much. The other taxing districts and the general public have input into the decision process through a public hearing prior to the formal approval by the municipality.

APPROVAL METHOD

If TIF is approved, a development agreement will be executed which may include specific expectations by the developer.

The approved projects costs may be funded either by the issuance of industrial revenue bonds (paid from the TIF increments) or other loans. In any event, the developer will typically either guarantee the loan or purchase the bonds. The developer may also fund the approved project costs and be reimbursed from the increments over an approved time period.

FUNDING LIMITS

The “increment” may be up to 100% of the increased amount of real property taxes and 50% of local sales, utility and in St. Louis and Kansas City earnings taxes, for a period of up to 23 years, as approved by the municipality.

The TIF statute requires a finding that, but for the TIF funding, the project could not be done. This may be done in several ways, such as the lack of development at the project site; additional costs of redevelopment; lack of private funds for the project; a projected pro-forma indicating that the projected return on investment (without the TIF assistance) is below a market rate of return, or other methods.

For eligible projects that require an additional subsidy to make the project occur, the Department of Economic Development (“DED”) may authorize up to 50% of state withholding taxes or 50% of state general sales taxes (1.5%) generated by a TIF project to supplement the local TIF funding.

The state cannot independently authorize a TIF project, as a city or county must authorize the maximum 100% of real property taxes and 50% of the sales, utility, and in Kansas City and St. Louis earnings taxes in order for DED to approve state TIF Funding.

SPECIAL PROGRAM REQUIREMENTS

- **TIF Commission:** The municipality selects six persons; two are selected by the affected school district; one is selected from the other affected tax districts, and if the municipality is a city, the county selects two. The TIF Commission must recommend a project to the municipality (city or county), that has final approval.
- **Eminent Domain:** The municipality's condemnation powers may be used in a TIF area (if approved by the municipality) to acquire property for use by a private developer implementing a project(s) contemplated in the TIF plan. Acquisition and relocation costs are eligible for TIF funding.
- **Economic Impact:** The redevelopment plan must analyze the economic impact to each taxing district.
- **Reporting:** Each year the governing body of the municipality or its designee shall prepare a report concerning the status of each

redevelopment plan and redevelopment project and submit it to DED.

CONTACT

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OTHER INFORMATION SOURCES OF DED

- Web site: www.missouridevelopment.org
- E-mail: ecodev@ded.state.mo.us

MISSOURI ECONOMIC ASSISTANCE CENTER

provides program summaries on resources that are available through the Department of Economic Development that maybe of assistance to your business or community. Visit the web site at www.missouridevelopment.org/business/economicassistancecenter

MISSOURI LOCATION ONE is an internet-based searchable system that shows available buildings and sites across Missouri. This system allows location consultants and company owners to evaluate Missouri communities from across the nation quickly and at no cost. This system can be accessed at www.missouridevelopment.org and clicking on business.

The **COMMUNITY DEVELOPMENT** group offers over 15 different tax credit and grant programs to specifically meet the needs of not-for-profit organizations, community groups, and local government in areas such as infrastructure improvement, housing, violence prevention, and community facilities. For more information please call (573) 522-6155 or access the information at www.missouridevelopment.org/communities